

# WHY SENIORS NEED ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

## ***Seniors Depend on Life-Saving Prescription Drugs***

- ! When Medicare was created in 1965, prescription drugs did not play a significant role in the nation=s health care. However, due to the great advances in pharmaceuticals in the past 35 years, prescription drugs now play a central role in the typical senior=s health care. As President Clinton has pointed out, *Alf we were creating Medicare today, no one would ever consider not having a prescription drug benefit.@* For example, drugs now routinely prescribed for seniors to regulate blood pressure, and lower cholesterol had not even been invented when Medicare began in 1965.
- ! Today, the typical American aged sixty-five or older uses 18 prescription drugs a year, and 85% of beneficiaries fill at least one prescription per year for such conditions as osteoporosis, hypertension, heart attacks, diabetes or depression.
- ! Seniors represent the portion of the population that is the most dependent on prescription drugs. Indeed, while seniors only represent 12% of the population, they use more than one-third of the prescription drugs used in the U.S. each year.

## ***Seniors Pay A Lot for Prescription Drugs and Are Paying More than Preferred Customers or Those in Foreign Countries***

- ! Over one-third (38%) of Medicare beneficiaries will incur costs of more than \$1,000 on prescription drugs in 2000. More than half will have drug costs of more than \$500. The average total drug costs for beneficiaries is projected to be \$1,100.
- ! Out-of-pocket spending on prescription drugs is high. In 2000, Medicare beneficiaries are estimated to spend about \$525 on average on prescription drugs out-of-pocket. Their average out-of-pocket cost depends on insurance coverage B it is much higher for those with no coverage (\$800) and people with Medigap (\$650) than those with retiree coverage (\$400).
- ! The pinch on seniors is especially hard because people buying prescription drugs on their own (such as seniors with no or inadequate insurance coverage) usually must pay the highest prices for them, unable to wield as much leverage as health plans and insurance companies that often can negotiate discounts. A report by the House Government Reform Committee=s minority staff recently found that seniors nationwide are paying over 130% more for essential prescriptions than the drug companies= most favored customers - the HMOs and the federal government.
- ! Further, studies have shown that drugs sold in Canada and Mexico are generally half the price of the same drugs sold to U.S. consumers.

## ***Drug Prices Are Rapidly Increasing***

- ! The problem of seniors paying prescription drug costs out-of-pocket has become particularly acute because the cost of prescription drugs has been soaring. According to the Health Care Financing Administration, spending on prescription drugs rose faster than any other category of health care, increasing 15.4% in 1998 - while total health care costs rose by 5.6%. This is the fourth year in a row in which prescription drug expenditures rose by more than 10%.

## ***Nearly Two-Thirds of Seniors Have Unreliable or No Drug Coverage***

- ! Overall, nearly two-thirds of Medicare beneficiaries have no prescription drug coverage or have coverage that is unreliable -- inadequate, costly, or both, and subject to change or cancellation at any time.
- ! At least one-third (or 13 million) Medicare beneficiaries have no prescription drug coverage ☐ requiring them to pay their outpatient prescription drug costs entirely themselves. More than half of these seniors without coverage are middle class, with incomes over 150% of poverty. This means prescription drug coverage limited to low-income seniors would leave the vast majority of seniors unprotected.
- ! Millions more (30% of Medicare beneficiaries) are at risk of losing coverage or have inadequate or expensive coverage.
- ! Only 25% of Medicare beneficiaries have employer-provided retiree drug coverage, which is the most meaningful, stable, and affordable source of coverage for prescription drugs, and that number is declining. Over the last four years, the number of firms offering retiree health coverage has declined by 25%.
- ! Managed care drug benefits are also being reduced. About 17% of Medicare beneficiaries have drug coverage through managed care. There is a troubling trend of plans severely limiting drug benefits through low caps. Nearly 60% of managed care plans are reporting they will cap drug benefits below \$1,000 in the year 2000, and the proportion of plans with benefit caps of \$500 or less has increased by over 50% between 1998 and 2000.
- ! Furthermore, Medigap premiums for drugs are high and increase with age. About 8% of Medicare beneficiaries buy Medigap insurance to help pay for prescription drugs. Consumers Union has found that seniors currently receiving prescription drug coverage through private Medigap policies are not getting a good deal. Specifically, a 1998 Consumers Union analysis found that a typical 75-year-old is paying an additional premium of \$1,850 per year for a prescription drug benefit that is capped at \$1,250 a year. Hence, the typical 75-year-old is paying in premiums more than the value of the prescription drug coverage.

## ***Despite the Needs of Seniors, Republicans Have Blocked Prescription Drug Legislation for the Past Year***

Republicans have spent the last year blocking Democratic efforts to pass a prescription drug benefit.

- ! **Last year, when President Clinton proposed a Medicare prescription drug benefit on June 29, the GOP leadership gave it a cool reception.** Although they didn't dare launch an all-out frontal assault and risk the ire of seniors' groups, the House and Senate GOP leadership was distinctly cool to the President's proposal. Indeed, that very same day, completely ignoring the central feature of Clinton's Medicare prescription drug benefit — i.e., that it is completely voluntary — Majority Leader Lott and Speaker Hastert issued a joint critical statement that said, *“We should be careful not to force those who already have prescription drug coverage to accept a government-run plan that costs more.”*
- ! **Then, parroting the line of the pharmaceutical industry, in July 1999, Republicans on the Ways and Means Committee voted against a Medicare prescription drug benefit and instead put forward a substitute proposal supported by the industry.** On July 14, 1999, during the markup of the House GOP tax bill, Republicans defeated a Stark amendment that would have provided a Medicare prescription drug benefit — on a party-line vote of 13 to 23. Instead, Republicans put forward a proposal favored by the Pharmaceutical Research and Manufacturers Association: a tax deduction for private prescription drug coverage for seniors. This proposal would have helped only a limited number of people and would not have guaranteed meaningful or affordable drug coverage for anyone.
- ! **Then, both House and Senate Republicans adopted \$792 Billion tax-cut plans, leaving no room for Medicare prescription drug benefit.** Then, in August 1999, both House and Senate Republicans adopted a massive, \$792 billion tax cut plan that would have used virtually the entire on-budget surplus for tax cuts over the next ten years — leaving no room for a Medicare prescription drug benefit. As the National Council on the Aging wrote, *“We are deeply disappointed in the [Republicans'] irresponsible decision to squander virtually the entire non-Social Security surplus on a massive tax cut. Without [a portion of] the surplus..., the Medicare program cannot remain strong while adding a meaningful new prescription drug benefit.”*
- ! **Republicans in 2000 begin to cave to Democratic pressures for action on prescription drug legislation.** In November 1999, after a year of stalling by Republicans, Democrats began the effort to force action on prescription drug legislation, introducing rules to have an open debate on this critical issue. Finally, in 2000, Republicans have responded to this pressure by creating a task force and holding several hearings. Democrats will continue to call for action to ensure that these Republican moves do not become an excuse to delay action or a sideshow that produces a figleaf.

## ***Democrats Are Working to Force Action on Prescription Drug Legislation***

**Today DEMOCRATS** continue the fight for legislation to help seniors obtain the prescription drugs they need -- which is an absolute necessity for millions of seniors who currently have to choose between food and medicine. Democrats have introduced two measures to force action on legislation to establish a Medicare prescription drug plan, and help for seniors in obtaining the best price for their drugs. The **DEMOCRATIC** proposals would provide action on:

- ! **Universal Prescription Drug Benefit under Medicare:** One Democratic effort provides for an open debate on H.R. 1495, the Access to Rx Medications in Medicare Act, and other measures to expand prescription drug coverage for seniors. H.R. 1495 guarantees prescription drug coverage for all Medicare beneficiaries, and fully covers the prescription drug needs of approximately 80% of beneficiaries. Specifically, the bill provides coverage for 80% of pharmaceutical costs for all seniors with more than \$200 in annual drug costs up to \$1,700 per year. The bill also helps all Medicare beneficiaries by covering 100% of their costs above \$3,000 in annual out-of-pocket prescription drug expenditures.
- ! **End Drug Price Discrimination:** The other Democratic effort would force an open debate and action on H.R. 664, the Prescription Drug Fairness for Seniors Act, along with other bills that deal with drug pricing. H.R. 664 will protect senior citizens from drug price discrimination and make prescription drugs available to Medicare beneficiaries at substantially reduced prices. The legislation achieves these goals by requiring the pharmaceutical industry to sell drugs to pharmacies that serve Medicare beneficiaries at the same low prices available to the federal government and other favored customers. The legislation has been estimated to reduce prescription drug prices for seniors by more than 40%.

Through having an open debate on these two measures, Democrats want to ensure enactment of legislation that provides:

- ! Universally Accessible and Voluntary Drug Coverage for All Medicare beneficiaries
- ! Access to Affordable Prescription Drugs
- ! Competitive and Efficient Administration
- ! High-Quality, Needed Medications